

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name	County
Fiscal Year End	Opinion Date	Date Audit Report Submitted to State	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

YES
NO

Check each applicable box below. (See instructions for further detail.)

1. ☐ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☐ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☐ ☐ The local unit has adopted a budget for all required funds.
5. ☐ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☐ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☐ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☐ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☐ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☐ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☐ ☐ The local unit is free of repeated comments from previous years.
12. ☐ ☐ The audit opinion is UNQUALIFIED.
13. ☐ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☐ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☐ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)		
Financial Statements	<input type="checkbox"/>			
The letter of Comments and Recommendations	<input type="checkbox"/>			
Other (Describe)	<input type="checkbox"/>			
Certified Public Accountant (Firm Name)		Telephone Number		
Street Address		City	State	Zip
Authorizing CPA Signature <i>Hennrich A. Berthiaume</i>	Printed Name		License Number	

BULLARD SANFORD MEMORIAL LIBRARY

Vassar, Michigan

FINANCIAL STATEMENTS

June 30, 2007

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& COMPANY

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Bullard Sanford Memorial Library
Vassar, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Bullard Sanford Memorial Library as of and for the year ended June 30, 2007, which collectively comprise the Library's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Bullard Sanford Memorial Library's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Bullard Sanford Memorial Library, as of June 30, 2007, and the respective changes in financial position, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The budgetary comparison schedule is not a required part of the basic financial statements but is supplemental information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Bullard Sanford Memorial Library's basic financial statements. The accompanying other supplemental information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The other supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The accompanying financial statements do not present a management's discussion and analysis, which would be an analysis of the financial performance for the year. The Governmental Accounting Standards Board has determined that this analysis is necessary to supplement, although not required to be a part of, the basic financial statements.

Berthiaume & Co.

September 20, 2007

BASIC FINANCIAL STATEMENTS

BULLARD SANFORD MEMORIAL LIBRARY

STATEMENT OF NET ASSETS

June 30, 2007

Assets:

Cash and cash equivalents	\$ 496
Receivables	14,152
Prepaid expenses	4,154
Capital assets:	
Nondepreciable capital assets	5,000
Depreciable capital assets, net	<u>878,950</u>
Total assets	<u>902,752</u>

Liabilities:

Accounts payable and accrued expenses	28,164
Long-term liabilities:	
Due within one year	13,331
Due in more than one year	<u>397,674</u>
Total liabilities	<u>439,169</u>

Net assets:

Invested in capital assets, net of related debt	476,844
Unrestricted	<u>(13,261)</u>
Total net assets	<u>\$ 463,583</u>

The accompanying notes are an integral part of these financial statements.

BULLARD SANFORD MEMORIAL LIBRARY

STATEMENT OF ACTIVITIES

Year Ended June 30, 2007

Program expenses:

Personal services	\$ 173,954
Materials and services	124,568
Depreciation	62,177
Interest on long-term debt	<u>19,977</u>
Total program expenses	<u>380,676</u>

Program revenues:

Operating grants and contributions	85,202
Capital grants and contributions	<u>13,865</u>
Total program revenues	<u>99,067</u>
Net program expenses (revenues)	<u>281,609</u>

General revenues:

Property taxes	249,246
Payment in lieu of taxes	361
Investment earnings	8,288
Miscellaneous	<u>18,091</u>
Total general revenues	<u>275,986</u>
Increase in net assets	(5,623)
Net assets, beginning of year	<u>469,206</u>
Net assets, end of year	<u>\$ 463,583</u>

The accompanying notes are an integral part of these financial statements.

BULLARD SANFORD MEMORIAL LIBRARY

GOVERNMENTAL FUNDS

BALANCE SHEET

June 30, 2007

	<i>General Fund</i>	<i>Building Project Fund</i>	<i>Total Governmental Funds</i>
Assets:			
Cash and cash equivalents	\$ -	\$ 496	\$ 496
Taxes receivable	3,734	-	3,734
Due from other governmental units	10,418	-	10,418
Prepaid expenditures	<u>4,154</u>	<u>-</u>	<u>4,154</u>
Total assets	<u>\$ 18,306</u>	<u>\$ 496</u>	<u>\$ 18,802</u>
Liabilities and Fund Balances:			
Liabilities:			
Checks written against future deposits	\$ 5,385	\$ -	\$ 5,385
Accounts payable	11,753	-	11,753
Deferred revenue	<u>3,734</u>	<u>-</u>	<u>3,734</u>
Total liabilities	<u>20,872</u>	<u>-</u>	<u>20,872</u>
Fund balances:			
Reserved for:			
Prepaid expenditures	4,154	-	4,154
Unreserved			
General fund	(6,720)	-	(6,720)
Capital projects fund	<u>-</u>	<u>496</u>	<u>496</u>
Total fund balances	<u>(2,566)</u>	<u>496</u>	<u>(2,070)</u>
Total liabilities and fund balances	<u>\$ 18,306</u>	<u>\$ 496</u>	<u>\$ 18,802</u>

The accompanying notes are an integral part of these financial statements.

BULLARD SANFORD MEMORIAL LIBRARY

RECONCILIATION OF FUND BALANCES OF THE GOVERNMENTAL FUNDS TO NET ASSETS OF GOVERNMENTAL ACTIVITIES

June 30, 2007

Total fund balances for governmental funds \$ (2,070)

Total net assets reported for governmental activities in the statement of
of net assets is different because:

Capital assets used in governmental activities are not financial resources
and therefore are not reported in the governmental funds.

Governmental capital assets	1,313,535	
Less accumulated depreciation	<u>(429,585)</u>	883,950

Accrued interest payable in the governmental activities is not payable from
current resources and therefore is not reported in the governmental funds. (11,026)

Deferred revenues reported in the governmental funds are recognized as
revenues for the governmental activities. 3,734

Long-term liabilities are not due and payable in the current year and
therefore are not reported in the governmental funds:

Note payable	(407,106)	
Compensated absences payable	<u>(3,899)</u>	<u>(411,005)</u>

Net assets of governmental activities \$ 463,583

The accompanying notes are an integral part of these financial statements.

BULLARD SANFORD MEMORIAL LIBRARY

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

Year Ended June 30, 2007

	<i>General Fund</i>	<i>Building Project Fund</i>	<i>Total Governmental Funds</i>
Revenues:			
Property taxes	\$ 249,390	\$ -	\$ 249,390
State grants	8,707	12,300	21,007
Contributions from other units	76,065	-	76,065
Interest and rents	2,368	5,920	8,288
Other revenue	<u>11,196</u>	<u>8,890</u>	<u>20,086</u>
Total revenues	<u>347,726</u>	<u>27,110</u>	<u>374,836</u>
Expenditures:			
Current			
Recreation and culture	260,822	-	260,822
Capital outlay	84,236	598,617	682,853
Debt service			
Principal	137,703	-	137,703
Interest and fees	<u>8,951</u>	<u>-</u>	<u>8,951</u>
Total expenditures	<u>491,712</u>	<u>598,617</u>	<u>1,090,329</u>
Excess (deficiency) of revenues over expenditures	<u>(143,986)</u>	<u>(571,507)</u>	<u>(715,493)</u>
Other financing sources:			
Proceeds from borrowing	<u>109,425</u>	<u>400,000</u>	<u>509,425</u>
Total other financing sources	<u>109,425</u>	<u>400,000</u>	<u>509,425</u>
Net change in fund balances	(34,561)	(171,507)	(206,068)
Fund balances, beginning of year	<u>31,995</u>	<u>172,003</u>	<u>203,998</u>
Fund balances, end of year	<u><u>\$ (2,566)</u></u>	<u><u>\$ 496</u></u>	<u><u>\$ (2,070)</u></u>

The accompanying notes are an integral part of these financial statements.

BULLARD SANFORD MEMORIAL LIBRARY

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

Year Ended June 30, 2007

Net change in fund balances - total governmental funds \$ (206,068)

Total change in net assets reported for governmental activities in the statement of activities is different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is depreciated over their estimated useful lives and reported as depreciation expense.

Capital outlay	644,282	
Less depreciation expense	<u>(61,009)</u>	583,273

Revenues in the statement of activities that do not provide current financial resources are reported as deferred revenue in the funds. 217

Debt proceeds are reported as financing sources in the governmental funds and thus contribute to the change in fund balance. In the statement of net assets, however, issuing debt increases long-term liabilities and does not affect the statement of activities. (509,425)

Repayments of principal on notes are expenditures in governmental funds, but the payments reduce long-term liabilities in the statement of net assets. 137,703

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Change in accrued interest payable	(11,026)	
Change in compensated absences payable	<u>(297)</u>	<u>(11,323)</u>

Change in net assets of governmental activities \$ (5,623)

The accompanying notes are an integral part of these financial statements.

NOTES TO FINANCIAL STATEMENTS

BULLARD SANFORD MEMORIAL LIBRARY

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

On May 6, 1996, pursuant to 1989 P.A. 24 of the State of Michigan, and effective July 1, 1996, for financial reporting purposes, the City of Vassar and Tuscola and Vassar Townships agreed jointly to establish a District Library - the Bullard Sanford Memorial Library. Subsequently, in 1998 a portion of Juniata Township which is not in the Caro School District joined with the District Library. The primary funding sources of the District Library are property taxes, penal fines and state aid. The City of Vassar, Tuscola Township, and Vassar Township each appoint two library trustees, and Juniata Township appoints one, for a total of seven library trustees.

The accounting policies of the Bullard Sanford Memorial Library conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the significant accounting policies:

Reporting Entity

The Library has adopted the position of the Governmental Accounting Standards Board regarding the definition of the "reporting entity." The basic criterion for including a governmental department, agency, institution, commission, public authority or other governmental organization in a governmental unit's general purpose financial report is the exercise of oversight responsibility over such agencies by the governmental unit's elected officials. The manifestations of such oversight responsibility are financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations and accountability for fiscal matters.

Accordingly, the Library has not consolidated any other governmental entities in its financial statements. The Library is not considered to be a component of any other unit.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The accounts of the Library are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

Government-wide Financial Statements

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

BULLARD SANFORD MEMORIAL LIBRARY

NOTES TO FINANCIAL STATEMENTS, CONTINUED

June 30, 2007

The statement of net assets and the statement of activities report information on all of the governmental activities. The Library only has governmental activities.

The statement of net assets presents governmental activities on a consolidated basis, using the economic resources measurement focus and accrual basis of accounting. This method recognizes all long-term assets and receivables as well as long-term debt and obligations. The Library's net assets are reported in three parts (1) invested in capital assets, net of related debt, (2) restricted net assets, and (3) unrestricted net assets. The Library first utilizes restricted resources to finance qualifying activities.

The statement of activities reports both the gross and net cost of each of the Library's functions. The functions are also supported by general government revenues (property taxes, certain intergovernmental revenues, fines, permits and charges, etc.). The statement of activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants.

The net costs (by function) are normally covered by general revenue (property taxes, state sources and federal sources, interest income, etc.). The Library does not allocate indirect costs.

The government-wide focus is on the sustainability of the Library as an entity and the change in the Library's net assets resulting from current year activities.

Fund Financial Statements

Separate financial statements are provided for the major governmental fund.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences are recorded only when payment is due.

Property taxes, intergovernmental grants, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when cash is received by the government. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met. Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met.

The Library reports the following major governmental funds:

General Fund – The General Fund is the primary operating fund of the Library. It is used to account for all financial resources.

Building Project Fund – The Building Project Fund is used to account for the revenues and costs of the building addition.

BULLARD SANFORD MEMORIAL LIBRARY

NOTES TO FINANCIAL STATEMENTS, CONTINUED

June 30, 2007

Assets, Liabilities and Equity

Deposits and Investments – Cash and cash equivalents include cash on hand, demand deposits, certificates of deposit and short term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Prepaid Expenditures – Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid expenditures in both the government-wide and fund financial statements.

Capital Assets – Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair market value at the date of donation. The Library defines capital assets as assets with an initial individual cost in excess of \$1,500. Costs of normal repair and maintenance that do not add to the value or materially extend asset lives are not capitalized.

Library books, media, and periodicals which comprise the Library's collections are recorded as assets at cost. Because of their nature and relevance to the Library's operations, they are capitalized despite individually being below the capitalization threshold.

Buildings, furniture and equipment, vehicles and collections are depreciated using the straight-line method over the following useful lives:

Buildings	50 years
Furniture and equipment	10-15 years
Vehicle	5 years
Collections	3-7 years

Compensated Absences – It is the Library's policy to permit the Director to accumulate earned but unused sick hours up to 360. Upon retirement or leaving the employment of the Library, the Director would be paid for one half of the accumulated hours. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental funds only when they have matured or come due for payment – generally when an individual's employment has terminated as of year end.

Long-term Obligations – In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities statement of net assets.

Fund Equity – In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

BULLARD SANFORD MEMORIAL LIBRARY

NOTES TO FINANCIAL STATEMENTS, CONTINUED

June 30, 2007

Property Taxes

The library tax of .9884 mill and an additional .25 mills are levied by the City of Vassar and the Townships of Tuscola, Vassar, and Juanita based on the assessed valuation of property, as equalized by the State, as of the preceding December 31. Property taxes are recognized as revenue in the year levied, except for insignificant amounts of delinquent personal property taxes which are recognized as revenue when collected. A portion of the Juniata Township taxes are allocated to the Fairgrove Library.

The 2006 taxable valuation for the Bullard Sanford Memorial Library was \$211,467,540.

NOTE 2: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Information

An operating budget is adopted at the activity level each fiscal year for the General Fund on the modified accrual basis used to reflect actual revenues and expenditures. Budgetary control (the level at which expenditures may not legally exceed appropriations) is exercised at the activity level. Supplemental appropriations that amend the total of any fund and transfers of budget amounts between activity levels require board approval.

Excess of Expenditures over Appropriations in Budgeted Funds

During the year, the Library incurred expenditures that were in excess of the amounts budgeted, as follows:

	<i><u>Final Budget</u></i>	<i><u>Actual</u></i>	<i><u>Excess</u></i>
Recreation and culture	\$ 253,365	\$ 260,822	\$ 7,457
Capital outlay	73,930	84,236	10,306

NOTE 3: DEPOSITS AND INVESTMENTS

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency of instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

BULLARD SANFORD MEMORIAL LIBRARY

NOTES TO FINANCIAL STATEMENTS, CONTINUED

June 30, 2007

Custodial Credit Risk of Bank Deposits:

The Library reports a negative cash balance of \$4,889 at year end. Of this amount, \$496 is classified as cash and cash equivalents in the assets and \$5,385 is classified as checks written against future deposits in the liabilities. These monies are being held as part of a pooled cash account by the City of Vassar. Because the Library's cash is held as part of the pooled cash account by the City of Vassar, it is subject to the same risks the City is subject to.

Custodial credit risk is the risk that in the event of a bank failure, the Library's deposits may not be returned. The Library does not have a deposit policy for custodial credit risk. Information regarding these deposits and associated risks may be obtained from the City of Vassar Financial Report for the fiscal year ended June 30, 2007.

NOTE 4: CAPITAL ASSETS

Capital assets activity of the Library's governmental activities was as follows:

	<u>July 1,</u> <u>2006</u>	<u>Additions</u>	<u>Retirements</u>	<u>June 30,</u> <u>2007</u>
<i>Governmental activities:</i>				
Nondepreciable capital assets				
Land	\$ 5,000	\$ -	\$ -	\$ 5,000
Depreciable capital assets				
Buildings and improvements	186,881	573,075	-	759,956
Collections	335,004	35,398	-	370,402
Furniture and equipment	107,368	35,809	-	143,177
Vehicles	35,000	-	-	35,000
Total depreciable capital assets	664,253	644,282	-	1,308,535
Accumulated depreciation	(368,576)	(61,009)	-	(429,585)
Depreciable capital assets, net	295,677	583,273	-	878,950
Governmental activities, capital assets, net	<u>\$ 300,677</u>	<u>\$ 583,273</u>	<u>\$ -</u>	<u>\$ 883,950</u>

NOTE 5: DEFERRED REVENUE

Governmental funds report deferred revenue in connection with receivables for revenue that is not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At year end, the various components of deferred revenue are as follows:

	<u>Unavailable</u>
Delinquent personal property taxes	<u>\$ 3,734</u>

The unavailable amount is deferred in the fund financial statements.

BULLARD SANFORD MEMORIAL LIBRARY

NOTES TO FINANCIAL STATEMENTS, CONTINUED

June 30, 2007

NOTE 6: LONG-TERM LIABILITIES

The Library may issue loans and notes to provide for the acquisition of major capital facilities and the acquisition of certain equipment. Loans and notes are general obligation debt and are direct obligations and pledge the full faith and credit of the Library. Other long-term obligations include compensated absences.

Long-term liabilities at June 30, 2007 consisted of the following:

<u>Types of Indebtedness</u>	<u>Maturity</u>	<u>Interest Rates</u>	<u>Annual Principal Installments</u>	<u>Original Issue Amount</u>	<u>Balance at Year-End</u>
Governmental activities:					
2002 note - rental house	7/15/03-10/15/07	5.51%	\$3,210-52,345	\$ 67,500	\$ -
2006 note - library facility	12/15/06-12/15/25	5.00%	13,331-32,082	434,425	407,106

The following is a summary of long-term liabilities transactions for the year ended June 30, 2007:

	<u>July 1, 2006</u>	<u>Additions</u>	<u>Retirements</u>	<u>June 30, 2007</u>	<u>Due Within One Year</u>
Governmental activities:					
2002 note - rental house	\$ 35,384	\$ -	\$ (35,384)	\$ -	\$ -
2006 note - library facility	-	434,425	(27,319)	407,106	-
Compensated Absences	3,602	297	-	3,899	-
Total governmental activities					
- long-term liabilities	<u>\$ 38,986</u>	<u>\$ 434,722</u>	<u>\$ (62,703)</u>	<u>\$ 411,005</u>	<u>\$ -</u>

Annual debt service requirements to maturity for the above obligations are as follows:

<u>Fiscal Year Ended</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 13,331	\$ 20,355	\$ 33,686
2009	13,997	19,689	33,686
2010	14,697	18,989	33,686
2011	15,432	18,254	33,686
2012	16,204	17,482	33,686
2013-2017	94,012	74,418	168,430
2018-2022	119,985	48,445	168,430
2023-2026	119,448	15,296	134,744
	<u>\$ 407,106</u>	<u>\$ 232,928</u>	<u>\$ 640,034</u>

BULLARD SANFORD MEMORIAL LIBRARY

NOTES TO FINANCIAL STATEMENTS, CONTINUED

June 30, 2007

The following summarizes the Library's short-term obligation for the tax anticipation note:

	<u>July 1,</u> <u>2006</u>	<u>Additions</u>	<u>Payments</u>	<u>June 30,</u> <u>2007</u>
Tax anticipation note	\$ -	\$ 75,000	\$ (75,000)	\$ -

NOTE 7: DISAGGREGATED RECEIVABLE AND PAYABLE BALANCES

Receivables and payables as of year end for the Library's governmental activities in the aggregate are as follows:

Receivables:

Property taxes	\$ 3,734
Intergovernmental	<u>10,418</u>
Total receivables	<u>\$ 14,152</u>

Accounts payable and accrued expenses:

Checks written against future deposits	\$ 5,385
Accounts	11,753
Accrued interest	<u>11,026</u>
Total accounts payable and accrued expenses	<u>\$ 28,164</u>

NOTE 8: RISK MANAGEMENT

The Library obtains its employee insurance coverage through the policies of the City of Vassar. The City uses commercial insurance companies. The Library reimburses the City for this cost.

The library building, which is owned by the City of Vassar, is insured under the City of Vassar insurance policy. The Library reimburses the City for the cost of insurance.

The Library has obtained, from commercial insurance companies, insurance coverage for contents and other liabilities.

NOTE 9: EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS

Eligible Library employees are covered under the City of Vassar's retirement plan. The City contributes to the Michigan Municipal Retirement System (MERS) for all of its eligible employees and eligible Library employees. The Library reimburses the City for this expense.

Eligible Library employees are also allowed to participate in the City's Section 457 Deferred Compensation Plan. The Library makes a contribution to the Deferred Compensation Plan for certain employees in lieu of a pension contribution. To be eligible for this deferred compensation contribution the employee must generally work between 30 and 34 hours per week.

For the year ended June 30, 2007, the Library contributed \$10,826 to the MERS Pension Plan.

BULLARD SANFORD MEMORIAL LIBRARY

NOTES TO FINANCIAL STATEMENTS, CONTINUED

June 30, 2007

NOTE 11: AGREEMENTS

The Library has a lease for the library building with the City of Vassar. The lease requires a payment of \$1 per year to the City. The lease is for seven (7) years through May 6, 2009. The City then has the option of renewing the lease or deeding the property over to the Library.

The Library also has a fiscal agent agreement with the City of Vassar. Under this agreement, the City provides certain bookkeeping and administrative services. During the year ended June 30, 2007, the City was paid \$4,991 pursuant to this agreement.

The library has an agreement with the Fairgrove Library which requires that a certain portion of the Juniata Township property tax revenues be shared with the Fairgrove Library. The agreement also requires the sharing of certain other revenues such as state aid and penal fines.

NOTE 12: DEFICIT FUND BALANCE

At June 30, 2007, the General Fund has a deficit fund balance of \$2,566.

REQUIRED SUPPLEMENTAL INFORMATION

BULLARD SANFORD MEMORIAL LIBRARY

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE

Year Ended June 30, 2007

	<i>Budgeted Amounts</i>			<i>Actual Over (Under)</i>
	<i>Original</i>	<i>Final</i>	<i>Actual</i>	<i>Final Budget</i>
Revenues:				
Property taxes	\$ 249,161	\$ 248,889	\$ 249,390	\$ 501
State grants	9,750	8,628	8,707	79
Contributions from other units	53,532	72,554	76,065	3,511
Interest and rents	1,000	2,600	2,368	(232)
Other revenue	<u>17,000</u>	<u>9,760</u>	<u>11,196</u>	<u>1,436</u>
Total revenues	<u>330,443</u>	<u>342,431</u>	<u>347,726</u>	<u>5,295</u>
Expenditures:				
Current				
Recreation and culture	234,850	253,365	260,822	7,457
Capital outlay	51,700	73,930	84,236	10,306
Debt service				
Principal	112,000	137,703	137,703	-
Interest and fees	<u>5,500</u>	<u>9,047</u>	<u>8,951</u>	<u>(96)</u>
Total expenditures	<u>404,050</u>	<u>474,045</u>	<u>491,712</u>	<u>17,667</u>
Excess (deficiency) of revenues over expenditures	<u>(73,607)</u>	<u>(131,614)</u>	<u>(143,986)</u>	<u>(12,372)</u>
Other financing sources:				
Proceeds from borrowing	<u>75,000</u>	<u>109,425</u>	<u>109,425</u>	<u>-</u>
Total other financing sources	<u>75,000</u>	<u>109,425</u>	<u>109,425</u>	<u>-</u>
Net change in fund balance	1,393	(22,189)	(34,561)	(12,372)
Fund balance, beginning of year	<u>31,995</u>	<u>31,995</u>	<u>31,995</u>	<u>-</u>
Fund balance, end of year	<u>\$ 33,388</u>	<u>\$ 9,806</u>	<u>\$ (2,566)</u>	<u>\$ (12,372)</u>

OTHER SUPPLEMENTAL INFORMATION

BULLARD SANFORD MEMORIAL LIBRARY

GENERAL FUND

DETAILED SCHEDULE OF REVENUES

Year Ended June 30, 2007

Revenues:

Property taxes:

City of Vassar	\$ 61,475
Juniata Township	19,318
Tuscola Township	73,425
Vassar Township	94,811
Payment in lieu of taxes	361
	<u>249,390</u>

State Grants:

State aid	<u>8,707</u>
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Contribution from other units:

County penal fines	<u>76,065</u>
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Interest and rents:

Interest	<u>2,368</u>
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Other Revenue:

Contributions and donations	430
Other	<u>10,766</u>
	<u>11,196</u>
Total revenues	<u>347,726</u>

Other Financing Sources:

Proceeds from borrowing	<u>109,425</u>
Total revenues and other financing sources	<u><u>\$ 457,151</u></u>

BULLARD SANFORD MEMORIAL LIBRARY

GENERAL FUND

DETAILED SCHEDULE OF EXPENDITURES

Year Ended June 30, 2007

Recreation and Culture:

Library:

Personnel	\$ 138,186
Fringe benefits	35,471
Supplies	16,319
Contracted services	19,050
Administrative charges - City of Vassar	4,991
Communication	5,391
Dues and subscriptions	892
Conference and travel	3,862
Printing and publishing	1,404
Insurance	5,493
Utilities	12,926
Repairs and maintenance	6,432
Equipment rental	1,203
Other	9,202
	<u>260,822</u>

Capital Outlay:

Recreation and culture	<u>84,236</u>
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Debt Service:

Principal	137,703
Interest and fees	8,951
	<u>146,654</u>

Total expenditures	<u><u>\$ 491,712</u></u>
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BULLARD SANFORD MEMORIAL LIBRARY

GOVERNMENTAL ACTIVITIES

SCHEDULE OF INDEBTEDNESS

Year Ended June 30, 2007

NOTE PAYABLE - RENTAL HOUSE

Issue dated October 15, 2002 in the amount of	\$	67,500
Less: Principal paid in prior years		(32,116)
Principal paid in current year		<u>(35,384)</u>
Balance payable at June 30, 2007	\$	<u><u>-</u></u>

2006 LIBRARY FACILITY BOND

Issue dated August 30, 2006 in the amount of	\$	434,425
Less: Principal paid in prior years		-
Principal paid in current year		<u>(27,319)</u>
Balance payable at June 30, 2007	\$	<u><u>407,106</u></u>

Balance payable as follows:

<i><u>Fiscal</u></i> <i><u>Year Ended</u></i>	<i><u>Interest</u></i> <i><u>Rate</u></i>	<i><u>Principal</u></i> <i><u>December 15</u></i>	<i><u>Interest</u></i> <i><u>December 15</u></i>	<i><u>Total</u></i> <i><u>Annual</u></i> <i><u>Requirement</u></i>
2008	5.00%	\$ 13,331	\$ 20,355	\$ 33,686
2009	5.00%	13,997	19,689	33,686
2010	5.00%	14,697	18,989	33,686
2011	5.00%	15,432	18,254	33,686
2012	5.00%	16,204	17,482	33,686
2013	5.00%	17,014	16,672	33,686
2014	5.00%	17,864	15,822	33,686
2015	5.00%	18,758	14,928	33,686
2016	5.00%	19,695	13,991	33,686
2017	5.00%	20,681	13,005	33,686
2018	5.00%	21,714	11,972	33,686
2019	5.00%	22,800	10,886	33,686
2020	5.00%	23,940	9,746	33,686
2021	5.00%	25,137	8,549	33,686
2022	5.00%	26,394	7,292	33,686
2023	5.00%	27,714	5,972	33,686
2024	5.00%	29,099	4,587	33,686
2025	5.00%	30,554	3,132	33,686
2026	5.00%	<u>32,081</u>	<u>1,605</u>	<u>33,686</u>
		<u>\$ 407,106</u>	<u>\$ 232,928</u>	<u>\$ 640,034</u>



INTERNAL CONTROL COMMUNICATIONS

To The Board
Bullard Sanford Memorial Library

In planning and performing our audit of the financial statements of the Bullard Sanford Memorial Library as of and for the year ended June 30, 2007, in accordance with auditing standards generally accepted in the United States of America, we considered the Bullard Sanford Memorial Library's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Organization's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that misstatement of the Organization's financial statements that is more than inconsequential will not be prevented or detected by the Organization's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Organization's internal control.

Our consideration of internal control was for the limited purpose described in the first paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses as defined above. We identified deficiencies in internal control as follow:

Financial Statement Preparation

Audit standards, relative to our consideration of your internal controls, require that we assess the ability of the Organization to record, process, and summarize accounting data and to prepare financial statements. For this purpose, auditors are not to be considered part of the internal control system. We are required to inform you when internal control weaknesses, in this area, are noted.

As required, we are reporting a material weakness in the Organization's ability to prepare its own financial statement in accordance with generally accepted accounting principles.

This communication is intended solely for the information and use of management, Board, and others within the Organization, and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,

A handwritten signature in cursive script that reads "Kenneth A. Berthiaume".

Kenneth A. Berthiaume
Berthiaume & Company
Certified Public Accountants

September 20, 2007